

Message Text

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ORIGIN SS-30

INFO OCT-01 ISO-00 /031 R

66604

DRAFTED BY ARA/BC/B:JRBINNS:BDT

12/7/73 EXT. 23076

APPROVED BY ARA/BC:JEKARKASHIAN

LA/DP:LHARRISON (DRAFT)

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P 081900Z DEC 73

FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ PRIORITY

C O N F I D E N T I A L STATE 240867

EXDIS

E.O.11652: GDS

TAGS: EAID, BL

SUBJECT: BOLIVIAN REQUEST FOR PROGRAM ASSISTANCE

REF: LA PAZ 7225

1. AT THE SPECIFIC REQUEST OF THE BOLIVIAN EMBASSY, LA DEVELOPMENT PROGRAM DIRECTOR HARRISON MET WITH PRESIDENTIAL ECONOMIC ADVISOR VARGAS DECEMBER 6. MINISTER COUNSELOR LORIA OF THE BOLIVIAN EMBASSY AND DESK OFFICERS BINNS AND NICHOLSON ALSO WERE PRESENT. (USAID DIRECTOR OLESON WAS UNABLE TO ATTEND DUE TO OTHER COMMITMENTS).

2. PURPOSE OF VARGAS VISIT, AS ANTICIPATED REFTTEL, WAS TO MAKE "INFORMAL INQUIRY" ABOUT THE POSSIBILITY OF ADDITIONAL PROGRAM ASSISTANCE FOR GOB. VARGAS SET FRAMEWORK FOR INQUIRY BY DESCRIBING: BANZER'S RESOLVE TO CORRECT GOB FISCAL AND ADMINISTRATIVE PROBLEMS, AS EVIDENCED BY HIS DECISION NOT TO BE PRESIDENTIAL CANDIDATE (VARGAS SAID ELECTIONS WILL BE POSTPONED UNTIL 1975); RECENT GOB ACTIONS TO IMPROVE TAX STRUCTURE AND ADMINISTRATION AND TO INCREASE REVENUE WHICH HE CLAIMED WERE FIRST INSTALLMENT
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OF LONGER TERM FISCAL REFORM PROGRAM; AND GOB BELIEF THAT

THESE ACTIONS RESPONDED TO POINTS RAISED IN AMB. SIRACUSA'S LETTER TO BANZER UPON FORMER'S DEPARTURE FROM BOLIVIA. VARGAS ALSO MENTIONED UPCOMING IMF TEAM VISIT AND CIAP MEETING WHICH WILL REVIEW GOB FISCAL SITUATION AND FACT THAT INTERNATIONAL COMMODITY MARKETS ARE CURRENTLY VERY FAVORABLE FOR BOLIVIA.

3. WITH ABOVE INTRODUCTION, VARGAS SAID HE WISHED TO ASK INFORMALLY IF THE USG WOULD BE WILLING TO PROVIDE ADDITIONAL PROGRAM ASSISTANCE TO ENABLE THE GOB TO MAKE ITS COUNTERPART CONTRIBUTIONS FOR UNSPECIFIED LENDING PROJECTS AND CONTINUE PADES PROGRAM. SUCH ASSISTANCE, HE SAID, WOULD BE LOGICAL FOLLOW-ON TO EARLIER PROGRAM LOANS, WOULD PERMIT GOB TO CONTINUE ITS DEVELOPMENT PROGRAM, AND WOULD FACILITATE THE FISCAL REFORM.

4. HARRISON ACKNOWLEDGED THE GOB'S RECENT EFFORTS ON THE FISCAL FRONT AND SAID WE WILL AWAIT THE IMF'S ASSESSMENT OF GOB FISCAL SITUATION AND SUBSEQUENT CIAP MEETING WITH INTEREST. WHILE THE USG REMAINS COMMITTED TO ASSISTING BOLIVIAN DEVELOPMENT, HE SAID, OUR ASSISTANCE IS NOW DIRECTED AT SPECIFIC DEVELOPMENT PROJECTS RATHER THAN PROGRAM ASSISTANCE AND CITED THE SUBSTANTIAL PROJECT ASSISTANCE EITHER RECENTLY AUTHORIZED OR IN THE MILL NOTWITHSTANDING CONGRESSIONAL CUTS. ACCORDINGLY THE USG IS NOT PREPARED TO CONSIDER A NEW PROGRAM LOAN FOR BOLIVIA, ESPECIALLY SINCE IT APPEARS THE GOB HAS THE MEANS TO SOLVE ITS FISCAL PROBLEM WITHOUT SUCH ASSISTANCE. VARGAS INDICATED THAT THE GOB HAD BEEN AWARE OF THIS POSITION, BUT WONDERED IF HARRISON'S RESPONSE MEANT THAT THE USG WAS NOT PREPARED TO DISCUSS THE ISSUE IN THE FUTURE. HARRISON ASSURED HIM THAT WE ARE ALWAYS PREPARED TO DISCUSS BOLIVIA'S ECONOMIC SITUATION BUT CAUTIONED THAT THE GOB SHOULD NOT INTERPRET THIS AS IN INDICATION THAT PROGRAM ASSISTANCE WOULD BE FORTHCOMING.

5. FOLLOWING THIS MEETING VARGAS RAISED THE MATTER OF PL 480 TITLE I WHEAT WITH THE DESK OFFICERS, NOTING THAT THE USG HAD NOT REPLIED TO THE GOB'S NOTE REQUESTING A NEW PL 480 AGREEMENT FOR WHEAT. HE WAS ADVISED THAT CONFIDENTIAL

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THERE WAS NO POSSIBILITY FOR ADDITIONAL PL 480 WHEAT IN FY 74 AND THAT THE OUTLOOK FOR FY 75 IS VERY UNCERTAIN. IN RESPONSE TO HIS QUESTION AS TO WHEN USG WOULD BE ABLE TO RESPOND TO GOB'S REQUEST, IT WAS POINTED OUT THAT FY 74 PL 480 WHEAT ALLOCATIONS WERE NOT MADE UNTIL LATE SEPTEMBER 1973 AND THAT WE COULD NOT ASSURE HIM WHEN FY 75 SITUATION WOULD BE CLARIFIED. IT WAS STRESSED THAT GOB SHOULD NOT BASE ITS PLANS ON THE EXPECTATION THAT PL 480

WHEAT WILL BE AVAILABLE IN FY 75.

6. VARGAS DID NOT BROACH THE SUBJECT OF USG INTERVENTION
ON THE GOB'S BEHALF AT THE IDB OR IBRD. RUSH

NOTE BY OC/T: EXDIS CAPTION ADDED PER SS/O, MR. QURZE. 12/8/73.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 08 DEC 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: collinp0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE240867
Document Source: CORE
Document Unique ID: 00
Drafter: JRBINNS:BDT
Enclosure: n/a
Executive Order: RR
Errors: N/A
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731235/aaaaazwg.tel
Line Count: 120
Locator: TEXT ON-LINE
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 73 LA PAZ 7225
Review Action: RELEASED, APPROVED
Review Authority: collinp0
Review Comment: n/a
Review Content Flags:
Review Date: 16 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Jan-2002 by martinjw>; APPROVED <07 MAR 2002 by collinp0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BOLIVIAN REQUEST FOR PROGRAM ASSISTANCE
TAGS: EAID, BL
To: LA PAZ
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005